



MMCC Guidance:

Transfer of Ownership or Control of a Medical Cannabis License

Transfer of a Controlling Ownership Interest of a Medical Cannabis License

What is the relevant statute?

Health-General Article, 13-3311.1(a)(1), Annotated Code of Maryland, prohibits the sale or transfer of ownership of a medical cannabis grower, processor, or dispensary license unless the business seeking to transfer the license was physically and actively engaged in the cultivation, processing, or dispensing of medical cannabis for at least 3 years immediately preceding the sale or transfer.

Note: According to the statute, the relevant date is when the business began “physically and actively engaged in the cultivation, processing, or dispensing of medical cannabis.” In Maryland, this is the date the licensee became an active user in the State’s seed-to-sale software, METRC. This date may be different from the date of licensure.

What is the impact of this statute?

Transfer of ownership of a license means the transfer of a controlling equity interest of a license. The Commission has applied the statute to restrict the following transfers: (1) any proposed transfer of 100% ownership interest of a license; (2) any proposed transfer of more than 50% ownership interest of a license; and (3) a transfer of less than 50% ownership interest that constitutes a transfer of a controlling equity interest (e.g., License X is 60% owned by Investor A and 40% owned by Investor B; a proposed transfer of 20% from Investor A to Investor B would constitute a transfer of a controlling equity interest and be prohibited under the statute).

The Commission evaluates each request to transfer less than 50% ownership interest of a license on a case-by-case basis to determine whether the request proposes to transfer a controlling ownership interest of a license and, in turn, whether the statutory restriction applies.

What must I submit to the Commission to determine whether a proposed transfer of an ownership interest in a medical cannabis license complies with this statute?

In order for the Commission to evaluate a request to sell or transfer an ownership interest of a license the transferee must provide:

- A letter outlining the proposed transfer, which identifies the licensee, transferor, and transferee;
- A signed attestation that the transferee does not have any ownership interest that would prohibit the transfer (e.g., that the transfer would not result in the transferee obtaining an ownership interest in or control of more than one grower or processor, or more than four dispensaries);
- Criminal history information and an audited financial statement of the transferee, in the form required by the Bureau of Enforcement and Compliance (if the transferee is an entity, the transferee must submit criminal history record information and an audited financial statement for of its investors who hold an ownership interest equal to five percent or more of the transferee);
- A copy of the transfer or sale agreement;
- Payment of the fee required by COMAR 10.62.35;
- An ownership table that demonstrates complete ownership of the licensee before and after the proposed transfer; and
- *If the transferee is an entity*, an ownership table that demonstrates complete ownership of the transferee.

Note: All proposed transfers must comply with COMAR 10.62.08, 10.62.19, and/or 10.62.25.

Transfer of a Non-Controlling Ownership Interest of a Medical Cannabis License

What are the relevant statutes?

Health-General Article, 13–3306(a)(2)(v), Annotated Code of Maryland provides that a person may not have an ownership interest in, or control of, more than one licensed grower.

Health-General Article, 13-3307(d), Annotated Code of Maryland provides that a person may not have an ownership interest in, or control of, more than four licensed dispensaries.

Health-General Article, 13–3309(d), Annotated Code of Maryland provides that a person may not have an ownership interest in, or control of, more than one licensed processor.

What is the impact of these statutory provisions?

The transfer of an ownership interest, both controlling and non-controlling, is prohibited when the proposed transferee has an ownership interest, whether controlling or non-controlling, in the maximum allowable number of licenses.

Which regulations require that the Commission receive notification of a proposed transfer of a non-controlling ownership interest in a medical cannabis license?

COMAR 10.62.08.08, 10.62.19.07, and 10.62.25.08 provide that an ownership interest equal to five percent or more of a medical cannabis license may be transferred only if the Commission does not object to the transfer within 45 days after the transferee submits the documentation explained below.

What must I submit to the Commission to determine whether a proposed transfer of an ownership interest in a medical cannabis license complies with these statutory and regulatory provisions?

In order for the Commission to evaluate whether a request to sell or transfer an ownership interest of a license is permissible under the aforementioned statutes and regulations, the transferee must provide:

- A letter outlining the proposed transfer, which identifies the licensee, transferor, and transferee;
- A signed attestation that the transferee does not have any ownership interest that would prohibit the transfer;
- Criminal history information and an audited financial statement of the transferee, in the form required by the Bureau of Enforcement and Compliance (if the transferee is an entity, the transferee must submit criminal history record information and an audited financial statement for of its investors who hold an ownership interest equal to five percent or more of the transferee);
- A copy of the transfer or sale agreement;
- Payment of the fee required by COMAR 10.62.35;
- An ownership table that demonstrates complete ownership of the licensee before and after the proposed transfer; and
- *If the transferee is an entity*, an ownership table that demonstrates complete ownership of the transferee.

Note: All proposed transfers must comply with COMAR 10.62.08, 10.62.19, and/or 10.62.25.

Management Agreement

What are the relevant statutes?

Health-General Article, 13-3306(a)(2)(v), Annotated Code of Maryland provides that a person may not have control of, including the power to manage and operate, more than one licensed grower.

Health-General Article, 13-3307(d), Annotated Code of Maryland provides that a person may not have control of, including the power to manage and operate, more than four licensed dispensaries.

Health-General Article, 13–3309(d), Annotated Code of Maryland provides that a person may not have control of, including the power to manage and operate, more than one licensed processor.

What is the impact of these statutory provisions?

A proposed management agreement between a management company and a licensed grower or processor will be denied if the management company has any ownership interest in, or is actively managing, another licensed grower or processor.

A proposed management agreement between a management company and a licensed dispensary will be denied if the management company has any ownership interest in, or is actively managing, four other licensed dispensaries.

What must I submit to the Commission to determine whether a proposed management agreement complies with these statutes?

In order for the Commission to evaluate whether a management company may enter into a proposed management agreement with a licensed medical cannabis grower, dispensary, or processor without violating the aforementioned statutory restrictions, the management company must provide:

- A copy of the management agreement as well as any related agreements between the parties;
- Complete corporate information on the management company;
- A complete organizational chart for the management company;
- A list of all corporate affiliates, subsidiaries, or other entities associated with the management company;
- A list identifying any medical cannabis licensee that the management company or any of its corporate affiliates has an ownership interest in; and
- A list identifying any medical cannabis licensee with whom the management company or one its corporate affiliates has a management agreement or other agreement that confers the power to control the licensee.

Please submit your request for approval of a proposed transfer of ownership or proposed management agreement, along with the supporting documentation, to:

- The investigator assigned to the licensee; and
- reporting.mmcc@maryland.gov

What happens after I submit a proposed transfer of ownership or proposed management agreement along with the required supporting documentation?

- You must promptly respond to any follow-up inquiries from Commission Staff.
- Once Commission Staff has gathered all information that the Commission needs to evaluate the proposal, the Final Review Subcommittee reviews the proposal and supporting documentation and provides a recommendation to the full Commission as to whether the proposal should be approved.
- The full Commission reviews the proposal and supporting documentation. Taking into account the Final Review Subcommittee's recommendation, the full Commission votes on whether to approve the proposal.
- After the Commission has rendered its decision, Commission Staff sends written notice of the Commission's decision to the requestor.

Certain variables may affect how much time will pass between submitting a proposal and receiving written notice of the Commission's decision on the proposal. Variables include: the extent to which Commission Staff needs to request additional information in support of the proposal, when the Final Review Subcommittee meets, and when the full Commission meets.